



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

May 23, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **STREETLIGHTS CONTRACT - WORKFORCE INVESTMENT ACT
ADULT SPECIAL NEEDS PROGRAM**

We have conducted a program, fiscal and administrative contract review of Streetlights (Agency), a Workforce Investment Act Program (WIA) service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with Streetlights, a private non-profit organization, to provide and operate the WIA Adult Special Needs Program. The WIA Adult Special Needs Program is a comprehensive training and employment program to assist low income adults with substantial language and/or cultural barriers obtain employment, retain their jobs and increase their earnings. The types of services provided by Streetlights include life management skills training, production training, weekly case management and job placement services. Streetlights' office serves participants from the First, Second, Third and Fifth Districts.

Streetlights is compensated on a cost reimbursement basis. Streetlights' contract was for \$73,243 for Fiscal Year 2005-06.

Purpose/Methodology

The purpose of the review was to determine whether Streetlights complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

"To Enrich Lives Through Effective and Caring Service"

Results of Review

Streetlights did not comply with some of the WIA and County contract requirements. For example, Streetlights did not:

- Complete Individual Employment Plans for all ten (100%) program participants reviewed.
- Accurately report the program activities for eight (80%) of the ten participants on the Job Training Automation system.
- Maintain a cash receipts journal and did not always properly allocate costs in accordance with the Agency's Cost Allocation Plan.

In addition, Streetlights billed DCSS \$265 in unsupported consultant expenditures and \$512 in non-WIA related expenditures. Streetlights also did not properly allocate the cost of office supplies totaling \$452. As a result, Streetlights over billed DCSS \$1,229.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Streetlights on March 29, 2007. In their attached response, Streetlights disagreed with a number of recommendations in the report. During the review process, we attempted to resolve the disagreements. In instances in which the Agency provided appropriate documentation to support their disagreement, we adjusted our report accordingly. In instances where we did not accept the documentation, we explained to the Agency why their response was not acceptable. Specifically, Streetlights indicated that they use various catalogues from Costco, Office Depot, and Staples to conduct their price analysis. However, these catalogues do not support price analyses for various administrative and programmatic services, such as bookkeeping and independent contractor services, acquired by Streetlights using WIA funds. In addition, Streetlight indicated that their inventory list did identify the funding sources and descriptions. However, the inventory list provided to us at the time of our review did not include the information required by the federal guidelines.

Streetlights also indicated their current check signing process is adequate for the size and circumstances of the organization. However, the County contract requires two authorized signatures be obtained on all checks unless otherwise specified in the contract. Based on the Agency's size and number of staff the Agency can request an exemption from DCSS to allow for only one signature on checks under a pre-established dollar amount.

We notified DCSS of the results of our review. We will follow up on our recommendations during next year's monitoring review. We thank Streetlights for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Dorothy Thompson, Chief Executive Officer, Streetlights
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
STREETLIGHTS
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether Streetlights (Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for documentation for all ten program participants that received services between July 2005 and June 2006 to confirm their eligibility for WIA program services.

Results

Streetlights did not maintain appropriate documentation to support the eligibility for six (60%) of the ten program participants to receive program services. Specifically, Streetlights did not maintain proof of income or appropriate documentation to support the participants' barriers as required by WIA guidelines.

Subsequent to our review, Streetlights provided additional documentation to support all six participants' eligibility to receive the program services received.

Recommendation

1. **Streetlights management ensure that staff obtain appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.**

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether Streetlights provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for all ten program participants that received services during July 2005 through June 2006. We also

interviewed three program participants to confirm the services Streetlights billed to DCSS were provided.

Results

The three participants interviewed confirmed that the services received met their expectations. However, Streetlights did not always comply with WIA requirements. Specifically, Streetlights:

- Did not complete the Individual Employment Plans (IEP) for all ten participants. The IEP is an on-going plan, jointly developed by the participant and the case manager that identifies the participants' employment goals, achievement objectives and the services needed to achieve their employment goals.
- Did not accurately report the program activities for eight (80%) of the ten participants on the Job Training Automation (JTA) system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.
- Did not follow up with three (60%) of the five exited participants quarterly to obtain employment information by phone as required.
- Did not obtain one or more of the required documents, such as a signed grievance procedure form, nepotism form or information release form, from all ten program participants.

Recommendations

Streetlights management:

2. **Ensure that staff complete the Individual Employment Plans for all program participants.**
3. **Ensure that staff accurately update the Job Training Automation system to reflect the participants' program activities.**
4. **Ensure that staff follow up with exited participants in accordance with WIA guidelines.**
5. **Ensure that staff obtain all the required documentations from program participants.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for May 2006.

Results

Streetlights deposited revenues in a timely manner. However, Streetlights did not maintain a cash receipts journal or obtain two signatures on all checks as required by the County contract. In addition, Streetlights did not adequately safeguard the Agency's blank checks. Specifically, Streetlights' blank checks were maintained in an unlocked file cabinet located in an unrestricted area. Streetlights also did not perform on a regular basis a physical inventory to ensure that all checks are accounted for.

Recommendations**Streetlights management:**

6. **Maintain a cash receipts journal.**
7. **Ensure that two signatures are obtained on all checks or request an exemption from DCSS to allow for only one signature on checks under a pre-established dollar amount**
8. **Ensure that the blank checks are kept in a secure location with access restricted to authorized personnel.**
9. **Perform a physical inventory of all checks on a regular basis.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether the program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 43 (46%) of the 94 non-personnel expenditure transactions billed by the Agency for March, April and May 2006, totaling \$6,730.

Results

Generally, Streetlights' expenditures were allowable and properly documented as required. However, Streetlights did not maintain adequate documentation to support consultant costs, such as copies of contracts as required by the County contract. The total unsupported costs totaled \$265. Streetlights also billed DCSS for non-WIA related expenses, totaling \$512.

Recommendations**Streetlights management:**

10. Repay DCSS \$777.
11. Ensure that expenses are adequately supported by required documentation.
12. Ensure that expenses are accurately billed to the related program.

INTERNAL CONTROLS**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, Streetlights maintained sufficient internal controls over its business operations. However, Streetlights was not in compliance with the following WIA and County contract requirements. Specifically:

- Streetlights did not perform a cost analysis prior to contracting for various administrative and programmatic services.
- Streetlights' procurement policy did not require that three price quotations be documented for purchases over \$1,000.
- Streetlights' accounting policies and procedures manual did not address procedures for bonding and cost allocation.
- Streetlights did not submit their invoices to DCSS within five working days immediately following the month in which the services invoiced were rendered.

Recommendations

Streetlights management:

13. Ensure that staff conduct a competitive price analysis for all procurement transactions.
14. Ensure that the procurement and accounting policies and procedures manuals are in compliance with WIA and other regulatory guidelines.
15. Ensure that invoices are submitted to DCSS within five working days of the month following the month in which the services invoiced were rendered.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Streetlights' fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We interviewed the Agency's personnel and reviewed the Agency's equipment and inventory listing. In addition, we performed an inventory and reviewed the usage of five (20%) of the 25 items funded by the WIA funds, totaling approximately \$9,960.

Results

Streetlights used the equipment purchased with WIA funding for the WIA program. However, Streetlights' inventory list did not include all the required information, such as funding source, description and purchase order number.

Recommendation

16. Streetlights management ensure that the inventory list is updated with the required information.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenses for the one WIA employee, totaling \$2,458, to the payroll records and time reports for February 2006. We also interviewed the employee and reviewed their personnel file.

Results

Streetlights appropriately charged payroll expenses to the WIA program and the personnel file for the one employee was properly maintained. However, Streetlights did not maintain adequate security over payroll records. Specifically, Streetlights' payroll records were maintained on a bookshelf in an unrestricted area.

Recommendation

17. Streetlights management maintain adequate security over payroll records.

COST ALLOCATION PLAN**Objective**

Determine whether Streetlights' Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed Streetlights' Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency from March 2006 through May 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

As indicated above, Streetlights management needs to ensure that expenditures allocated to the WIA program are WIA related costs. Streetlights also did not properly allocate the cost of office supplies totaling \$452, to the various programs in accordance with the Agency's Cost Allocation Plan.

Recommendation**Streetlights management:**

- 18. Repay \$452.**
- 19. Ensure that expenditures are properly allocated in accordance with the Agency's Cost Allocation Plan.**

STREETLIGHTS

empowering others, devoted to the social justice and equity

To: J. Tyler Mc Cauley, Auditor Controller

Below is the written response to your recommendations:

ELIGIBILITY

Objective

Determine whether Streetlights (Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for documentation for all ten (100%) program participants that received services between July 2005 and June 2006 to confirm their eligibility for WIA program services.

Results

Streetlights did not maintain appropriate documentation to support the eligibility for six (60%) of the ten program participants to receive program services. Specifically, Streetlights did not maintain proof of income or appropriate documentation to support the participants' barriers as required by WIA guidelines.

Subsequent to our review, Streetlights provided additional documentation to support all six participants' eligibility to receive the program services received.

Recommendation

1. Streetlights management ensure that staff obtain appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.

Response: We concur with this recommendation and have replaced staff that will now ensure that appropriate documentation is provided.

Eligibility checks were conducted by the Jewish Vocational Center and proper paperwork was never forwarded to us. However, our staff member was negligent in not making sure this documentation was provided to us. The executive director will oversee the proper procedure is implemented by the new staff member.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether Streetlights provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for all ten (100%) program participants that received services during July 2005 through June 2006. We also interview three program participants to confirm the services Streetlights billed to DCSS were provided.

Results

The three participants interviewed confirmed that the services received met their expectations. However, Streetlights did not always comply with WIA requirements. Specifically, Streetlights:

- Did not complete the Individual Employment Plans (IEP) for all ten participants. The IEP is an on-going plan, jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals.
- Did not accurately report the program activities for eight (80%) of the ten participants on the Job Training Automation (JTA) system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities.
- Did not follow up with three (60%) of the five exited participants as required.
- Did not obtain one or more of the required documents, such as a signed grievance procedure form, nepotism form or information release form, from all ten program participants.

Recommendations

Streetlights management:

2. Ensure that staff complete the IEP for all program participants.

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3. Ensure that staff accurately update the JTA system to reflect the participants' program activities.
4. Ensure that staff follow up with exited participants in accordance with WIA guidelines.
5. Ensure that staff obtain all the required documentations from program participants.

Response: We concur with the above recommendations and have new staff that, once trained, will follow the correct procedures. The executive director will oversee that these recommendations are implemented.

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for May 2006.

Results

Streetlights deposited revenues in a timely manner. However, Streetlights did not maintain a cash receipts journal or obtain two signatures on all checks as required by the County contract. In addition, Streetlights did not adequately safeguard the Agency's blank checks. Specifically, Streetlights' blank checks were maintained in an unlocked file cabinet located in an unrestricted area. Streetlights also did not perform a physical inventory to ensure that all checks are accounted for.

Recommendations

Streetlights management:

6. Maintain a cash receipts journal.

We concur with this recommendation: We have the information of all cash received. However we did not have it in a journal notebook.

7. Ensure that two signatures are obtained on all checks.

Response:

We disagree with this recommendation:

In regard to two signatures on all checks:

We have a very small staff of six people. There are only two senior people who are in an executive position to sign checks- the Executive Director and the Director of Development. These two people are not always in the office together when signatures are needed. The non-WIA Director of Development is often out of town on non-WIA business. Our WIA budget does not allow us to pay for two senior WIA positions. Our bookkeeper is part time.

Our independent auditor feels that our check and balance system currently in place is the best for our circumstances and size.

The system is: One person signs a check and the other person approves the check request and the backup documentation. Also, any reimbursement check made out to one of these senior people will never be signed by that same person e.g., if a reimbursement check is for the Executive Director, the Director of Development will always sign that check and vice versa.

8. Ensure that the blank checks are kept in a secure location with access restricted to authorized personnel.

We disagree with this finding:

In regard to secure location for checkbooks:

We have a secure filing cabinet that locks. At the time the auditor was there, I believe she misunderstood, or I misspoke, that the cabinet was not always secured. In truth, it was open at that time in preparation for necessary reference to audit questions.

The auditor feels sure her interpretation of the event is correct. We however are in the position to know what our procedures are, and in 12 years of having

Streetlights

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county contracts have never been in the habit of misrepresenting ourselves to auditors. If we are wrong we correct the finding.

9. Perform a physical inventory of all checks on a regular basis.

We disagree with this recommendation:

In regard to physical inventory of checks:

I told the auditor that checks are inventoried three times a year: once, when our independent auditor comes and the two times the County sends out a monitor. We do this even when the monitoring is for Program. (Traditionally, the County had sent out two separate monitors-Fiscal and Program.)

Again, she may have misheard or I may have misspoke.

EXPENDITURES/PROCUREMENT

Objective

Determine whether the program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 43 (46%) of the 94 non-personnel expenditure transactions billed by the Agency for March, April and May 2006, totaling \$6,730.

Results

Streetlights did not maintain documentation to support consultant costs, such as copies of contracts, time records, billing rates, travel vouchers and invoices detailing the nature of the services provided by the consultants as required by the County contract. The total unsupported costs totaled \$265. Streetlights also billed DCSS for non-WIA related expenses, totaling \$ 512.

Recommendations

Streetlights management:

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10.Repay DCSS \$777.

Response:

We do not concur with number 10. We believe the repayment to WIA should be for \$512 and not \$777. (See below)

11.Ensure that expenses are adequately supported by required documentation.

Response:

We do not concur with this recommendation:

The Auditor handbook can be interpreted that contracts or time sheets can be used to back up Invoices. In the case of an Invoice totaling \$265 (part of the \$777 mentioned above), the submitted Invoice provided the hours and days spent on the service, the description of service provided, and the rate. It was also backed up by time sheets. There was no travel, reimbursements, purchases or anything else mentioned in the handbook. The Invoice was properly filled out and there was time sheet documentation

12.Ensure that expenses are accurately billed to the related program.

We do concur with the \$512 that was inaccurately billed to WIA and will be more careful in billing the program. Many of our costs are split between WIA and non-WIA funding and this is where the error occurred.

INTERNAL CONTROLS

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

Streetlights

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We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, Streetlights maintained sufficient internal controls over its business operations. However, Streetlights was not in compliance with the following WIA and County contract requirements. Specifically:

- Streetlights did not perform a cost analysis prior to contracting for various administrative and programmatic services.
- Streetlights' procurement policy did not require that three price quotations be documented for purchases over \$1,000.
- Streetlights' accounting policies and procedures manual did not address procedures for bonding, cost allocation, audit, and reimbursement.
- Streetlights did not submit their invoices to DCSS within five working days immediately following the month in which the services invoiced were rendered.

Recommendations

Streetlights management:

13. Ensure that staff conduct a competitive price analysis for all procurement transactions.

Response:

We do not concur with the above finding.

Streetlights

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We told the auditor that we have catalogues from the places we order goods which cite the cost: Costco, Office Depot and Staples. We even offered to show her. However, I am sure there may be one time transactions off and on for which there may not be time or staff to do a competitive price analysis. Example: We needed a hinge for one of our filing cabinets. We did not take the time to do a cost analysis. We went to Home Depot around the corner.

After offering to show her the catalogues we use to compare prices, I am unclear why this is still a recommendation.

14. Ensure that the procurement and accounting policies and procedures manuals are in compliance with WIA and other regulatory guidelines.

Response:

We both concur and disagree:

I am aware that we are missing a bonding procedure, but each year we have discussed the need to bond and we are under the impression that it is not necessary for our Agency.

I am unaware that we were cited for anything for other than an *incorrect* procurement procedure. (It exists, but was missing a policy for procurement of "people.")

15. Ensure that invoices are submitted to DCSS within five working days of the month following the month in which the services invoiced were rendered.

Response:

We concur with the above recommendation. The old staff member who was responsible for this is gone. The new staff member is currently submitting invoices in a timely manner and being overseen by the executive director as well as the bookkeeper.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Streetlights' fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Streetlights

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Verification

We interviewed the Agency's personnel and reviewed the Agency's equipment and inventory listing. In addition, we performed an inventory and reviewed the usage of five (20%) of the 25 items funded by the WIA funds, totaling approximately \$9,960.

Results

Streetlights used the equipment purchased with WIA funding for the WIA program. However, Streetlights' inventory list did not include all the required information, such as funding source, description, and purchase order number.

Recommendation

16. Streetlights management ensure that the inventory list is updated with the required information.

Response:

We do not concur with the above recommendation. Funding sources are indicated on the WIA form by the special WIA tag numbers that do appear on the inventory form.

I have no clue why the auditor said there was no description. Our inventory forms would never be approved by County staff if we did not have a description of the purchase. If we were missing a description of the equipment, there would only be a page full of numbers! Von Hurt has been approving our inventory forms each time they were requested.

As far as purchase order numbers- there is no category on the inventory forms provided by the County for this information.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Streetlights

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Verification

We traced and agreed the payroll expenses for the one (100%) WIA employee, totaling \$2,458, to the payroll records and time reports for February 2006. We also interviewed the employee and reviewed their personnel file.

Results

Streetlights appropriately charged payroll expenses to the WIA program and the personnel file for the one employee was properly maintained. However, Streetlights did not maintain adequate security over payroll records. Specifically, Streetlights' payroll records were maintained on a bookshelf in an unrestricted area.

Recommendation

17. Streetlights management maintain adequate security over payroll records.

Response:

We concur with this recommendation and have found a secure place for them.

COST ALLOCATION PLAN

Objective

Determine whether Streetlights' Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Streetlights

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Results

As indicated above, Streetlights management needs to ensure that expenditures allocated to the WIA program are WIA related costs. Streetlights also did not properly allocate the cost of office supplies totaling \$452, to the various programs in accordance with the Agency's Cost Allocation Plan.

Recommendation

Streetlights management:

18. Repay \$452.

19. Ensure that expenditures are properly allocated in accordance with the Agency's Cost Allocation Plan.

Response:

We concur with the above recommendations. We will be more careful when costs are split between WIA and no -WIA funding.

SIGNATURE: Dorothy Thompson

DATE: 4/11/07

PRINT NAME: DOROTHY THOMPSON

TITLE: Executive Director